



115 West Allegan St. Suite 600  
Lansing, MI 48933

517-485-3409  
NFIB.com

To: Honorable Members of the House Tax Policy Committee  
From: Amanda Fisher, Assistant State Director  
Date: March 9, 2021  
RE: Please Support HB 4324

While small business slowly recovers from the economic devastation wrought by Covid-19 and forced closures over the past year, HB 4324 is another economic tool that the legislature can offer to our businesses.

House Bill 4324 would amend the definition for federal taxable income to allow the bonus depreciation allowance present in federal tax law to be applied when calculating a taxpayer's state corporate income tax.

This means that a business could depreciate their personal property at 100% according to IRS Section 168K. This provision starts to phase out in 2023 ending in 2027.

Allowing the bonus depreciation to be taken on both federal and state taxes could serve to encourage more investment in new equipment, machinery, etc. especially for small businesses who were hardest hit during the pandemic.

The deduction that HB 4324 is reinstating also makes common sense given legislative in both state and federal statutes in the past decade.

The section of the Michigan Income Tax Act being amended references Section 199 of the IRS code which pertains specifically to deductions for manufacturing. The exclusion of Section 199 and 168k for state taxes was adopted in 2008 and tied to the Michigan Business Tax (MBT). The MBT gave generous personal property tax credits to manufacturing in Michigan, so this language would have made sense at the time. However, Section 199 of the IRS Code has since been repealed, as has the MBT. Reinstating pre-2008 language is entirely appropriate.

Finally, while allowing this deduction could accelerate the impact to the state budget, it would not be an overall revenue loss. That means that passage of HB 4324 is truly a win-win for both the budget and Michigan businesses.

Again, we ask for your support of HB 4324. Thank you for your support of small businesses!